

RONALD REAGAN, GOVERNOR, STATE OF CALIFORNIA  
ANTHONY R. PIERNO COMMISSIONER OF CORPORATIONS

Release NO. 14-L

SECTION 17420, FINANCIAL CODE –  
REFERRAL FEES, PURCHASE OF ADVERTISING SPACE

Section 17420, Financial Code, provides, in part, that except for the normal compensation of his own employees, it shall be a violation for any person subject to the Escrow Law to pay over to say other person any commission, fee, or other consideration as compensation for referring escrow customers or accounts.

A practice has come to the attention of the commissioner of Corporations by which an individual real estate broker solicits or requires licensed escrow agents to insert and pay for advertising in listing books or other: publications distributed by the broker. Such publications may be for the internal use of the real estate broker and his personnel, or may be given a wider distribution. It is the position of the Commissioner of Corporations that the purchase of advertising under these circumstances constitutes payment to the broker of consideration as compensation for referring escrow customers or accounts. Such payment, therefore, is in violation of Section 17420 of the Escrow Law and provides a basis upon which the Department may take disciplinary action against the escrow agent.

Nothing in this Release is intended to preclude advertising by licensed escrow agents in the publications of broadly based organizations of licensed real estate brokers, such as local real estate boards or multiple listing services.

Dated: June 29, 1970

By order of  
ANTHONY R. PIERNO  
Commissioner of Corporations

HANS A. MATTES  
Assistant Commissioner  
Office of Policy